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WHAT CAN THE UNITED STATES AND LATIN AMERICA DO FOR EACH OTHER?

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Trade between two or more countries can be successfully established and maintained only when such trade is based upon a more or less equal exchange of their products. Political consideration or sentiment alone never has and never will create to any appreciable extent trade between foreign countries.

The people of the United States have always shown a great deal of interest in the political development of the South and Central American Republics. The pronouncement of the Monroe Doctrine nearly a century ago is without doubt the most convincing proof of the bond of political solidarity that has existed and still exists between the republics in the North and South American continents.

It is true that the ABC powers and some of their neighbors have long since reached the stage of maturity when they can hold their own against European aggression, and many South American statesmen have resented in recent years any reference to the present recognition of the Monroe Doctrine, demanding its official withdrawal, and yet the events of the last year or two have demonstrated its potentiality for the prevention of foreign aggression upon Latin America with the same effectiveness that it has exercised from the date of its declaration.

If we had displayed the same interest and helpfulness towards the economic development of the countries south of us as in their political independence, the subject under discussion today would have been of a different character. Latin American trade has been a very popular subject of late; much has been written about it and it has been widely discussed, and I believe no other section of our foreign trade arouses to any greater extent the imagination and interest of our manufacturers and merchants than that with our southern republics. Sporadic efforts, in times of extreme industrial depression, such as we are enjoying at present, are made that usually

meet with disappointment and when good times come along the South American markets are forgotten. If we are to secure a permanent foothold in South America we must first thoroughly understand all the phases surrounding foreign and international commerce and then organize all the component forces essential for the successful inauguration and development of our trade with the countries south of us. The manufacturer alone, without the assistance of our bankers and investing institutions, cannot, in spite of Herculean efforts, make much headway in Latin America.

It is generally assumed that the South American markets are open markets. As a matter of fact they are not, and it is the first disillusion with which the pioneer meets on his South American trip. There are, to be sure, no tariffs discriminating against the American manufacturer as compared with his European rival, but he finds that the markets are entirely closed to him by arrangements and orders issued from London, Berlin and Paris over which the South American governments have no control. If the pioneer is a merchant and not a manufacturer, he finds that the large wholesale commission houses and distributors are in the hands of Europeans, with their banks always ready to discount their bills and to offer them every facility possible through the local branches of the home banking institutions.

In the matter of exchange and shipping facilities our pioneer finds that he is equally at a disadvantage as compared with the European rivals on account of the more equitable interchange of traffic of commodities, existing under normal conditions, between South American countries and Europe. We must grasp and understand the full significance of these facts if we are to occupy an equal position with the European countries in our trade with South America.

Credits and Investments

South American business has been built up and developed on the basis of long credits. These are extended to purchasers by local commission houses, usually of European origin, and for the accommodation of which the South American purchasers pay 10 per cent, 20 per cent and, in many instances, a much greater interest. The American manufacturer who would welcome an opportunity to do business direct with the South American purchaser can-

not grant unlimited credits, both as to time and amount; nor does he find it desirable, for obvious reasons, to deal through European commission houses; and he can turn to no bank of his own country that would be willing to discount his bills or advise him as to the credit of the purchaser. This handicap will, however, be partially remedied when the branches of the National City Bank, recently established in Rio and Buenos Aires, are fully organized and have acquired a thorough knowledge of the local business conditions. Some manufacturers, not a few, who have for years past extended large credits on open account to South American purchasers, have found it extremely vexatious and difficult to collect what was due them.

Last September the secretary of state called together for an informal conference South American diplomats for the discussion of the very same subject we have today under consideration. In his address he asked the diplomatic representatives from South America to state freely what in their opinion could be done to alleviate the commercial and financial disorganization between this country and South America brought about by the European war. Practically all of our South American friends who participated in the discussion referred to the fact that the greatest drawback for the extension of our trade with Latin America was, in their opinion, the unwillingness on the part of American manufacturers to extend credits customarily obtained from Europe and that we always insisted upon cash payments against shipping documents in New York or other ports of shipment. I was privileged to participate in this discussion and took occasion to state to those present that large credits have in recent years been granted by American manufacturers to South American purchasers but on account of the laxity of the latter in meeting their obligations at maturity greater caution was now being exercised in granting such accommodation. I desire to repeat what I said then, that the official representatives of the South American republics in the United States could render great assistance towards the future promotion of our trade with their countries by impressing forcibly upon their own governments and their peoples the desirability of meeting their debts on the dates promised. I am not referring to delays in meeting obligations due to the moratoria declared in many countries since the beginning of the war. I am referring to cases of my own experience and those

of my friends long before the war which were with individual merchants as well as with government purchasers. If the South American purchaser, whether government or private, would establish the reputation in the United States for promptly meeting his obligations, reasonably long credits would be granted to him freely.

The railways, mines, municipal and public utilities in South America are financed almost entirely by European capital and the bankers in furnishing the funds have invariably stipulated as a condition to the loans, and where it was not implicitly stated it was clearly understood, that the materials to be purchased by the proceeds of the loans as well as the nationality of the management, engineers, etc., should come from or be of the country which furnished the capital. As a result of this, fully 90 per cent of the railways in the Argentine comprising some 20,000 miles of railways are managed entirely by European engineers and all the railway materials and general supplies are purchased from Great Britain, Belgium, France and Germany, depending on the nationality of the management, and in which American manufacturers are not allowed to compete except in emergencies. In cases where the law stipulates that materials are to be purchased in open competition the specifications are drawn up in such a way by the European consulting engineers that American manufacturers are not in a position to compete on an equal basis with their European rivals.

In the few instances of state ownership of railways or public utilities which are not under the direct domination of European financial or industrial groups, American manufacturers are permitted to bid on apparently equal terms with European competitors but the specifications and standards adopted are necessarily similar to those adopted by the European engineers or similar private enterprises, thereby placing us in this instance also at a disadvantage with our European rivals.

There is closer coöperation between European bankers and the leading industries of Europe than there is in the United States and on account of this financial influence and coöperation, South American companies frequently pay more for materials purchased in the country which furnishes the capital than could be obtained in this country. We have no such coöperation in the United States and of the very few American companies interested in South American industrial development some have purchased materials

in Europe if they could obtain however slight an advantage either in price or terms of payment. For instance, an American copper company operating in Chile last year placed in Germany a contract for electrical equipment amounting to some \$3,000,000 because the German manufacturers underbid American manufacturers. You cannot find a single example of a German operating company in any foreign country or in a colony placing a contract in the United States for materials irrespective of the fact whether the American manufacturer bid lower than the German or not.

If we are to remedy this condition we must insist upon our bankers taking a more active part in the development of South American railways and similar enterprises and to have such railways operated by Americans who would be able to do for the American manufacturer what the British and German railway managers have done for British and German industry. The embargo placed by Great Britain on its capital going into South America will offer an opportunity to American bankers to supply the necessary funds for the development of the rich territory south of us. The opportunity is an excellent one and the question is, will the American banker take full advantage of it?

Representation in South America

We must have better representation in South America than we have had in the past. We cannot rely upon commission houses whether of European or American origin to introduce effectively our manufactured products in the countries south of us. Our representatives must be specialists in their business, thoroughly conversant with the product they have to offer and familiar with the language and conditions of the country to which they are accredited. They must be salaried and not commission men. Such representation can only be developed at great cost and considerable time. Very few manufacturers are large enough to be capable of maintaining independently such representation and for this reason the National Foreign Trade Council, at its meeting in Washington last May, urged upon Congress to exempt combinations of American manufacturers for foreign trade from the jurisdiction of the Sherman Law and passed the following resolution, copies of which were sent to the President and Members of both Houses of Congress:

Coöperation for the Development of Foreign Trade

WHEREAS, Throughout the markets of the world combinations of our competitors are encouraged by their governments; and

WHEREAS, In consequence, American exporters are confronted by combinations of foreign rivals equipped to resist American competition and are often obliged to sell to combinations of foreign buyers; and

WHEREAS, Our anti-trust laws, though powerless to forbid foreign combinations against us, nevertheless, purport to regulate foreign commerce and apparently forbid American exporters to coöperate in the development of our foreign trade; now, therefore, be it

Resolved, by the National Foreign Trade Convention, a non-political, non-partisan gathering, representing in the aggregate millions of Americans, both employers and workmen, throughout the United States, whose welfare depends upon the successful competition of American exporters abroad,

That we urge Congress to take such action as will facilitate the development of American export trade by removing such disadvantages as may be now imposed by our anti-trust laws, to the end that American exporters, while selling the products of American workmen and American enterprise abroad, and in competition with other nations, in the markets of the world, may be free to utilize all the advantages of coöperative action in coping with combinations of foreign rivals, united to resist American competition, and combinations of foreign buyers equipped to depress the prices of American goods.

Since the European war has begun, examples have come to my personal attention of a ruthless competition between American manufacturers for European war contracts that were far more criminal in their character and manifestly unfair both to the stockholders of such companies and the laboring men engaged in the execution of such contracts than the most iniquitous combination of American manufacturers for export trade that could possibly be devised.

The government has recently sent commercial attachés to various parts of South America, who I am sure will be very helpful in acquainting both the government and manufacturers with the business conditions and needs of the countries south of us. But manufacturers desiring to extend their export trade should not count too much upon the government representatives blazing the way for new channels of trade.

Shipping Facilities between North and South America

The after-dinner speakers and political spellbinders of all parties have told us time and again that the non-existence of an American merchant marine for foreign trade is due to the fact that we have no subsidy for steamers engaged in foreign trade in one

form or another. They fortify themselves with the argument that just so much as our industries required protection for their development so an American merchant marine can only be built up and developed through a heavy subsidy. Almost in the same breath they tell us that up to the time of the Civil War 98 per cent of the entire foreign commerce of the United States was carried to every part of the world in American bottoms and in addition a great deal of the commerce of European and South American nations. It is not, therefore, a question of developing an infant industry through protection because the American merchant marine during the first half of the nineteenth century flourished, prospered and maintained its preëminent position without governmental assistance. There must, therefore, be other causes for the disappearance of the American flag from the high seas. Let us examine some of these causes.

It is my belief that the gradual replacement of American ships engaged in foreign commerce by British ships since the Civil War is due very largely to the introduction of the iron steamboat. The manufacture of iron in those days reached a comparatively high state of development in England while it was in its infancy in this country. It was, therefore, possible for British steamship owners to purchase ships in Great Britain made of iron of much larger capacity than the wooden ships built in the United States and which could, therefore, be operated much more economically and which gradually replaced the old American wooden clipper.

If the various administrations since that time had looked at the subject from a common sense business point of view they would have permitted the free importation of iron ships into the United States and to American registry irrespective as to where the steamer was built. Had this been done we would today have had a much larger American merchant marine engaged in foreign commerce.

Our navigation laws were devised, wisely or not, to suit our coastwise and internal traffic and were applied with equal force to the steamers engaged in foreign trade. The conditions imposed upon the American ship-owner are much more exacting and costly than those imposed on British or other European maritime countries. Under these laws the cost of American ships under the American flag engaged in foreign commerce, is variously estimated between 10 per cent and 50 per cent more than operating the same steamer

in the same service under any other flag than our own, and has resulted in driving the American flag from international trade routes.

Allusion is frequently made to the fact that we do not have as frequent sailings and as many steamship lines plying between the United States and South America as compared with South American and European countries, and we are told that this is due to the fact that European companies and their governments control the steamship lines and dictate to them as to the amount and character of cargo to be taken to and from the United States and South America and the routes to follow. I defy anyone to substantiate this argument by fact in normal times.

The reason why our sailings are not as frequent between the ports of South and North America is because of a lack, up to recently, of an equal interchange of cargo. No steamer can operate successfully between two given ports if the flow of traffic is only one way. The reason for the numerous routes and large number of steamers plying between South American and European ports is the fact that Europe takes the raw and semi-manufactured products of the South American countries and ships in return the manufactured products. There is in existence, therefore, an equitable interchange or balance of traffic.

We have until recently been in competition with the Argentine and Brazil in the exportation of the products of the soil and mines to Europe and, therefore, when an American manufacturer had to send his manufactured products to South America he had to pay not only the freight from here to its destination but also the cost of the return passage of the steamer practically in ballast. The enactment of the recent tariff law will to a large extent help us when normal conditions are again reinstated, in overcoming this serious drawback and result in the reduction of freight rates to South American countries. The removal of the duty on hides, wool, lumber, iron, meat and grain, will stimulate in the course of time their importation from South America into this country to such an extent that the American manufacturer will experience no difficulty in finding steamship accommodations at reasonable rates. There will be tonnage waiting in the principal ports of the United States to take his manufactured products to South America; it would be much more desirable that this increased traffic which is bound to

come be carried in ships flying the Stars and Stripes, but failing such, the merchandise will be carried by steamers of foreign flags.

The Republican party has always (if I am not mistaken) advocated a subsidy for an American merchant marine but never succeeded in carrying out this preëlection promise made by every successive administration. The Democratic party has always opposed a subsidy of whatever character and now out of a clear sky it comes forth with a proposition of government ownership of vessels which it admits would operate at a loss and which represents a ship subsidy in its most offensive form.

I need not tell you after what I have just stated that I do not believe in subsidies and certainly not in government owned steamship lines. What I would like to see would be an administration which would have the courage of its convictions, the daring and audacity to emancipate American shippers from the antiquated navigation laws which, more than any other factor, are responsible for the reduction of the American merchant marine engaged in foreign commerce to the present absurd proportion. The navigation laws, which have been in force for more than a century with amendment upon amendment tacked on to them to a point where they represent so intricate a document that it is impossible for the average person to comprehend it, should be replaced by a new set of navigation laws that would place the American ship-owner engaged in foreign trade on an equal basis with that of his European competitor. Our laws should permit bonafide purchases by American citizens or American controlled steamship companies of steamers wherever built and admit them to American registry. Not until such reforms have been enacted into law can a subsidy or government ownership help develop an American merchant marine so essential to the development of our commerce with South America.

Our general commerce with South America at the present time is languishing, not because of any lack of steamship facilities, but because of the economic setback all South American countries have received just prior to and since the beginning of the European war. I believe our prospects for the increase of trade with the countries south of us are very bright. At the close of the war the European countries will for some years to come be busily engaged in the rehabilitation of their own industries and the repairing of the

damage that has been done and unfortunately will still be done so long as this conflict lasts. It will devolve, therefore, upon the United States to supply the large demand for manufactured products which will come from all South American countries as soon as their economic conditions have been reëstablished to a normal basis and their purchasing power has increased above what it is at the present time. Our opportunity, therefore, is at hand for the laying of firm foundations for the acquisition of a just share of the trade that will be within our reach at an early date.